IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA
FIRST APPELLATE DISTRICT
DIVISION FIVE

CANDACE DE LOS SANTOS
et al.,
Plaintiffs and Respondents,

v.

KOMAR, LLC,
Defendant and Appellant.
_____/

A121043

(Lake County
Super. Ct. No. CV402995)

Plaintiffs Candace and Raymond De Los Santos (collectively, plaintiffs) own a mobilehome and rent a space for it in Lake Village Estates Mobile Home Park (Lake Village Estates). Defendant KOMAR, LLC (defendant) owns and operates the Park. In 2006, plaintiffs sued defendant, alleging it interfered with plaintiffs' attempt to sell the mobilehome. Following a bench trial, the court found defendant liable for interference with prospective economic advantage and awarded plaintiffs approximately $8,000 in damages. The court also awarded plaintiffs $18,630 in attorney fees pursuant to a provision of the Mobilehome Residency Law (MRL), Civil Code section 798 et seq.

On appeal, defendant contends there is insufficient evidence to support the court's finding that it interfered with plaintiffs' prospective economic advantage. Defendant also challenges the award of attorney fees. We affirm.

FACTUAL AND PROCEDURAL BACKGROUND

At some point prior to 2005, plaintiffs purchased a mobilehome and rented a space for it in Lake Village Estates, a mobilehome park owned and operated by defendant. Plaintiffs eventually decided to sell their mobilehome and obtained two inspection reports which noted considerable fungus and dry rot damage to various parts of the mobilehome.

In August or September 2005, Gale Slota - a friend of plaintiff Candace De Los Santos - told plaintiffs she was interested in purchasing the mobilehome. When Slota discussed the $55,000 selling price with plaintiffs, she thought she had an agreement to purchase the mobilehome. She knew, however, that she needed to obtain defendant's approval before she could purchase the mobilehome, so she applied for approval from Lake Village Estates and submitted the necessary paperwork.

On October 19, 2005, Dena Barron, the manager of Lake Village Estates, sent Slota a letter that stated, "After reviewing you[r] application for tenancy at Lake Village Estates, we have given ample consideration for your acceptance, but will not be able to at this time. The home you would be purchasing #30 is not up to State Health and Safety Laws and unless proven under the Health and Safety specifications, it is not safe to live in the home. We have copies of two (2) different Home inspections done on the said home which states [sic] a considerable safety factor. If you can provide the Park Office with a Certified Home Inspection Certificate that all work has been completed and it is safe to live in the home, your application will be fully accepted."

Slota interpreted the letter to mean she would be approved to purchase the mobilehome after it "was repaired or whatever needed to be done to it because it did not meet safety codes." According to Slota, the letter was disapproving of "the condition of the mobile home" and warning her about it. After Slota received the letter, she decided she needed to have an appraiser "look at the mobile home to get an appraisal price for it." She called Lake Village Estates to find out how she could get access to the mobilehome and spoke to the office manager, who told her that she "really didn't want to buy the trailer." The office manager explained that "'[t]he floor is falling out. You need to fix that.'" She also told Slota, "'They had to take a crane, lift it up off the foundation and so on and so forth.'"

Slota was somewhat scared by the news that a crane would have to be used to lift the mobilehome off the ground. At some point shortly thereafter, Slota decided not to purchase the mobilehome. She based her decision on the letter she received from Barron, on the information about the crane, and on the inspection reports. Slota had reviewed the inspection reports and knew the subflooring of the mobilehome had dry rot and moisture problems. She explained, "I did have the reports [plaintiffs] had given me - the reports to look at and everything else and I don't know - [i]n view of this and my circumstances there with the letter and the manager, I decided no." Slota noted that she decided not to buy the mobilehome "[b]ecause the park manager said that there were Health and Safety laws involved and because [she] depicted the crane taking it off of the foundation and the floors [ ] falling out."

Plaintiffs hired a lawyer, who sent a letter to Lake Village Estates. Among other things, the letter stated that Lake Village Estates had "made communications with individuals regarding the sale of the mobile home unit which [have] falsely and negatively described the condition of the mobile home. My clients are informed and believe that your communications resulted in the loss of a recent sale to an interested buyer. [] I enclose herewith a copy of your October 19, 2005 letter to a prospective purchaser of the unit. Please provide the documents you reference in said letter and your written support for your statement that 'it is not safe to live in the home.'" The letter continued, "Please be advised that your conduct in communicating information to third persons regarding the conditions, character or saleability of the unit will be considered as an attempt to interfere with the marketing and sale of the mobile home and my clients will

pursue all available legal remedies."

On February 20, 2006, Barron wrote a letter to plaintiff Candace De Los Santos. In her letter, Barron stated she had completed a "brief overlook with Rick Kerwood (State Inspector) of the home in space 30 at Lake Village Estates" and was "requesting a commitment in writing from either Seller or Buyer that the dry rot and issues with the front porch, back porch and steps be repaired so that the home is not at risk of becoming sub-standard. [] Lake Village Estates will continue to work together with you in relation to the sale of your home, and look forward to having your home filled with an acceptable applicant to reside at Lake Village Estates."

In June 2006, plaintiffs filed a verified complaint alleging eight causes of action against defendant: (1) interference with a contractual relationship; (2) interference with prospective business or economic advantage; (3) libel; (4) nuisance; (5) injunctive relief; (6) declaratory relief; (7) breach of contract; and (8) failure to comply with the MRL. The second cause of action, for interference with prospective economic advantage, alleged that "[d]ue to defendant's false statements and refusal to accept the application of Ms. Slota, the sale was not completed."

Following a bench trial, the court found in favor of plaintiffs on their cause of action for interference with prospective economic advantage. In its 24-page statement of decision, the court concluded, among other things, there was "clear evidence . . . there was an intentional act that was specifically designed to disrupt the relationship," specifically the "October 19, 2005 letter from [ ] defendant to Ms. Slota, which says very clearly that her application is being rejected unless she does certain things which she was not willing to do (provide [ ] defendant with a certified home inspection certificate that all work had been completed and it was safe to live in the home)." The court continued, "in requiring Ms. Slota to correct all repairs . . . [defendant] was overstepping its authority . . . and in that way violated [section] 798.74, [subdivision] (a)" of the MRL.

The court awarded plaintiffs attorney fees and costs as prevailing parties pursuant to section 798.85. The court reasoned it had "previously found there was a violation of [section] 798.74, [subdivision] (a) and that is a willful, wrongful, withholding of approval to Ms. Slota for reasons other than those stated in [section] 798.74, [subdivision] (a). And that conduct was essentially the basis for [the] finding of intentional interference with prospective . . . economic advantage. However, plaintiffs are not entitled to the statutory damages available for willful violations of the [MRL] because under [section] 798.86 such statutory damages are only available again to homeowners. However, the Court finds that the plaintiffs are prevailing parties in this action. . . . And since the conduct complained of in interference with prospective economic advantage is essentially the same conduct referred to in [section] 798.74, the Court finds that the plaintiffs are prevailing parties, 'under this chapter.' Accordingly, as part of the judgment, plaintiffs are going to be awarded reasonable attorney's fees. . . ."

DISCUSSION

To place the issues in context, we briefly discuss the statutory scheme. Enacted in 1978, the MRL "regulates relations between the owners and the residents of mobilehome parks." (Cacho v. Boudreau (2007) 40 Cal.4th 341, 345; § 798 et seq.) "The protections afforded by the [MRL] reflect legislative recognition of the unique nature of mobilehome tenancies. [Citation.] Ordinarily, mobilehome park tenants own their homes but rent the spaces they occupy. [Citation.] Once a mobilehome is in place in a park, it is difficult to relocate. [Citations.] Its owner thus 'is more likely to be a long-term resident.' [Citation.] In many cases, mobilehome park tenants have limited and undesirable options if they find 'living in the park no longer desirable, practical, or possible. . . .' [Citation.]'" (People ex rel. Kennedy v. Beaumont Investment, Ltd. (2003) 111 Cal.App.4th 102, 109.)

The provisions of the MRL regulate a variety of activities, including ownership transfers of mobilehomes, repairs mobilehome park management may require of a home that will remain in the park (§§ 798.70-798.83), and grounds for withholding the approval of a prospective purchaser of a mobilehome. (§ 798.74; see generally Friedman et al., Cal. Practice Guide: Landlord-Tenant (The Rutter Group 2007) § 11:1, p. 11-1.) By regulating these activities, the MRL provides "homeowners a measure of stability and predictability in their mobilehome park residency. . . ." (Griffith v. County of Santa Cruz (2000) 79 Cal.App.4th 1318, 1323.)

Substantial Evidence Supports the Finding that
Defendant Interfered with Prospective Economic Advantage

Defendant contends plaintiffs failed to establish the tort of interference with prospective economic advantage. "'The tort of intentional . . . interference with prospective economic advantage imposes liability for improper methods of disrupting or diverting the business relationship of another which fall outside the boundaries of fair competition.'" (San Jose Construction, Inc. v. S.B.C.C., Inc. (2007) 155 Cal.App.4th 1528, 1544 (San Jose Construction), quoting Settimo Associates v. Environ Systems, Inc. (1993) 14 Cal.App.4th 842, 845.) To prove intentional interference with prospective economic advantage, plaintiffs had the burden to establish: (1) an economic relationship with Slota which offered the probability of future economic benefit to plaintiffs; (2) defendant's knowledge of this relationship; (3) defendant's intentional acts designed to disrupt that relationship; (4) actual disruption of the relationship; and (5) economic harm to plaintiffs proximately caused by defendant's acts. (San Jose Construction, supra, at p. 1544, citing Reeves v. Hanlon (2004) 33 Cal.4th 1140, 1152.)

We review the court's finding for substantial evidence. To determine "'whether a judgment is supported by substantial evidence, we may not confine our consideration to isolated bits of evidence, but must view the whole record in a light most favorable to the judgment, resolving all evidentiary conflicts and drawing all reasonable inferences in favor of the decision of the trial court. [Citation.] We may not substitute our view of the correct findings for those of the trial court; rather, we must accept any reasonable interpretation of the evidence which supports the trial court's decision." (DiMartino v. City of Orinda (2000) 80 Cal.App.4th 329, 336.) Our "power in this regard 'begins and ends with the determination as to whether there is any substantial evidence, contradicted or uncontradicted, which will support the finding of fact. [Citations.] [] When two or more inferences can reasonably be deduced from the facts, a reviewing court is without power to substitute its deductions for those of the trial court.' [Citation.]" (Shapiro v. San Diego City Council (2002) 96

Cal.App.4th 904, 912.)

Defendant contends plaintiffs failed to satisfy the first element of the tort of interference with prospective economic advantage: to show a reasonable probability that the prospective economic advantage of their negotiations with Slota would have been realized but for defendant's alleged interference. It is well settled there can be "no recovery" for the tort of interference with prospective economic advantage "unless the plaintiff shows that, except for the tortious interference, there was a reasonable probability that the contract or profit would have been obtained." (5 Witkin & Epstein, Summary of Cal. Law (10th ed. 2005) Torts, § 745, p. 1076.) As a result, plaintiffs had the burden to prove that the "business relationship contained 'the probability of future economic benefit.'" (Westside Center Associates v. Safeway Stores 23, Inc. (1996) 42 Cal.App.4th 507, 522 (Westside), quoting Youst v. Longo (1987) 43 Cal.3d 64, 71.) Plaintiffs satisfied their burden. At trial, Slota testified she discussed the selling price with plaintiffs and thought she had an agreement to purchase the mobilehome. This evidence is more than sufficient to establish the existence of an economic relationship with Slota which offered the probability of future economic benefit to plaintiffs.

Next, defendant argues plaintiffs failed to satisfy the third element of the tort: that it committed an intentional act designed to disrupt plaintiffs' economic relationship with Slota. Defendant argues "an objective, independent reading" of Barron's October 19, 2005 letter to Slota demonstrates the letter "was plainly intended to prompt repairs to the mobilehome, to restore it to a safe and habitable condition, not to disrupt the sale." Defendant's argument overlooks Slota's trial testimony. Slota testified she eventually decided not to buy the mobilehome in part because she received the October 19, 2005 letter from Barron which rejected her application and advised her that it was "not safe to live in the home." She further testified she decided not to buy the mobilehome "[b]ecause the park manager said that there were Health and Safety laws involved and because [she] depicted the crane taking it off of the foundation and the floors [ ] falling out." The trial court concluded defendant committed an intentional act intended to disrupt plaintiffs' economic relationship with Slota, and substantial evidence supports this conclusion. (Shapiro, supra, 96 Cal.App.4th at p. 912.)

Finally, defendant contends there was insufficient evidence that its conduct was "independently wrongful." "[A] plaintiff seeking to recover for an alleged interference with prospective contractual or economic relations must plead and prove as part of its case-in-chief that the defendant not only knowingly interfered with the plaintiff's expectancy, but engaged in conduct that was wrongful by some legal measure other than the fact of interference itself." (Della Penna v. Toyota Motor Sales, U.S.A., Inc. (1995) 11 Cal.4th 376, 393.) In other words, "a plaintiff must show that the defendant engaged in an independently wrongful act." (San Jose Construction, supra, 155 Cal.App.4th at p. 1544.) "'[A]n act is independently wrongful if it is unlawful, that is, if it is proscribed by some constitutional, statutory, regulatory, common law, or other determinable legal standard[.] '[A]n act must be wrongful by some legal measure, rather than merely a product of an improper, but lawful, purpose or motive.'" (Id. at p. 1545, quoting Korea Supply Co. v. Lockheed Martin Corp. (2003) 29 Cal.4th 1134, 1159 & fn. 11.)

Here, the trial court concluded defendant violated section 798.74, subdivision (a). "For the protection of a mobilehome owner, whose home could be rendered unmarketable if the park owner could arbitrarily refuse to rent the space on which it is installed to the home's prospective buyer, the [MRL] limits park owners to two grounds for refusing to approve a buyer: lack of ability to pay park rent and charges, and a reasonable determination, 'based on the purchaser's prior tenancies, [that] he or she will not comply with the rules and regulations of the park.'" (Castaneda v. Olsher (2007) 41 Cal.4th 1205, 1217, fn. 2, quoting § 798.74, subd. (a).) Pursuant to section 798.74, "a park owner is compelled to accept as a new tenant a person who purchases a mobilehome from an existing tenant unless the new tenant does not have the financial ability to pay rent or, based on past tenancies, has demonstrated he or she will not comply with the park rules and regulations.'" (Yee v. City of Escondido (1990) 224 Cal.App.3d 1349, 1352.)

Defendant claims "[t]here was nothing fraudulent or unfair or malicious about [its] letter" because it "simply and plainly wanted to make sure that the mobilehome got repaired." This argument misses the point. The inquiry is not whether defendant's motive was "unfair or malicious." The inquiry is whether defendant's conduct was "wrongful by some legal measure." (San Jose Construction, supra, 155 Cal.App.4th at p. 1545.) In her October 2005 letter, Barron refused to accept Slota's application until Slota provided a certificate showing that repairs had been made to the mobilehome. As a result, substantial evidence supports the court's conclusion that defendant violated section 798.74, subdivision (a) by refusing to accept Slota as a tenant unless and until the mobilehome had been repaired.

The Court Properly Awarded Attorney Fees to Plaintiffs

As stated above, the court awarded attorney fees to plaintiffs as prevailing parties pursuant to section 798.85, which provides in relevant part, "In any action arising out of the provisions of this chapter the prevailing party shall be entitled to reasonable attorney's fees and costs. A party shall be deemed a prevailing party for the purposes of this section if the judgment is rendered in his or her favor . . . ." Plaintiffs' entitlement to "attorney fees under . . . section 798.85 is a question of law subject to de novo review." (MHC Financing Limited Partnership Two v. City of Santee (2005) 125 Cal.App.4th 1372, 1397 (MHC Financing)).

Defendant claims plaintiffs were not entitled to attorney fees because they are not "homeowners" within the meaning of the MRL. Defendant cites no authority to support its argument that a party may not recover attorney fees pursuant to section 798.85 unless that party is also a "homeowner" within the meaning of the MRL. Defendants appear to reason that plaintiffs are not entitled to attorney fees pursuant to section 798.85 because the court concluded they were not entitled to statutory damages pursuant to section 798.86. We are not persuaded. Whether plaintiffs are entitled to punitive damages or to a statutory penalty for willful violation of the MRL pursuant to section 798.86 is not relevant to the determination of whether plaintiffs are prevailing parties within the meaning of section 798.85.

DISPOSITION

The judgment is affirmed. Plaintiffs are entitled to their costs on appeal.